

**STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Bulletin 2006-07-INS

**In the matter of Submission of
Property Insurance Disputes to
Appraisal**

**Issued and entered
this 31st day of July 2006
By Linda A. Watters
Commissioner**

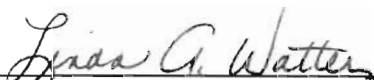
The Office of Financial and Insurance Services has learned that some property and casualty insurance companies wrongfully refuse to submit disputes regarding the amount of the loss to appraisal, as mandated by MCL 500.2833(1)(m). Such insurers take the position that, in claims involving repair or replacement cost policies, disagreements concerning the extent of the damages from the covered loss, the "scope of the repair or replacements" made necessary by the covered loss, are "coverage issues" and not subject to appraisal. Indeed, some insurance companies have refused to participate in appraisal unless the policyholder agrees in advance of appraisal to the scope of repairs calculated by the insurance company.

Such conduct is contrary to MCL 500.2833(1)(m), and is also prohibited by the Uniform Trade Practices Act (MCL 500.2001 et. seq.), including MCL 500.2026(1)(a), (b) and (f). Once an insurer determines that a loss is covered under the subject policy of insurance, and there is a demand for appraisal by the policyholder or insurer, disagreements between policyholders and insurers over factual issues of whether some of the damages claimed by the policyholder are part of the amount of loss caused by the covered event are part of the appraisal process. These issues do not constitute a "coverage question" for the Courts, and are manifestly included within the mandatory legislative requirements that disputes over the "amount of the loss" be subject to appraisal.

It is expected that insurance companies will not delay or refuse appraisal and will promptly and properly submit disputes concerning amounts of loss to appraisal. The Commissioner may commence administrative action proceedings against the certificate of authority of an insurance company that fails to comply with the statutory appraisal requirements as cited above.

Any questions regarding this bulletin should be directed to:

Office of Financial and Insurance Services
Office of General Counsel
611 West Ottawa Street
P.O. Box 30220
Lansing, Michigan 48909-7720
Phone: (517) 373-0435
Toll Free: (877) 999-6442

A handwritten signature in cursive script, reading "Linda A. Watters", is positioned above a horizontal line.

Linda A. Watters
Commissioner of Financial and Insurance Services